



May 14, 2013

The Honorable Dave Camp  
Chairman  
Committee on Ways and Means  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Fred Upton  
Chairman  
Committee on Energy Commerce  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Henry Waxman  
Ranking Member  
Committee on Energy Commerce  
United States House of Representatives  
Washington, D.C. 20515

**RE: SGR Repeal and Reform Proposal: Medicare Payment Locality Update Needed in California**

Dear Chairmen Camp and Upton and Ranking Members Levin and Waxman:

Sharp HealthCare provides more healthcare services in the San Diego region than any other provider via four acute care hospitals, three specialty hospitals, two affiliated medical groups and Sharp Health Plan. Accordingly we applaud your efforts to resolve the problems plaguing the Medicare payment program for physicians and urge your careful attention to how the Geographic Practice Cost Index (GPCI) inappropriately classifies San Diego and 13 other counties in California as "rural" areas. The practical effect of this outdated designation is to under-reimburse San Diego physicians for Medicare services by almost \$24 million annually.

The geographic regions used by Medicare for hospitals are updated regularly so that hospital reimbursement accurately reflects local costs to deliver care. Unfortunately, the physician regions have not been updated in 15 years. As hospitals and physicians work together to provide care in their local communities, it is only fair that they receive accurate payment for the services they provide.

Physicians practicing in San Diego are paid four percent below what Medicare would pay if they were in a correctly classified region. The 14 California counties currently inappropriately designated as “rural” face real difficulty in attracting physicians because cost of living and the cost to practice in these areas are high, but the Medicare locality payments have not kept pace with these real costs. As a result, Medicare beneficiaries in these 14 counties, including San Diego find it more difficult to access care. The problem is compounded by the fact that private payers base payments on Medicare reimbursement, so Medicare locality payments end up negatively impacting access to care for all patients.

Sharp HealthCare joins the California Hospital Association in supporting the solution proposed by Representatives Darrell Issa and Sam Farr to redistribute physician payments within California in a way that would have no fiscal impact on the federal government. Their plan is a California financed solution to a California problem. We acknowledge that the outdated Medicare payment localities are a national problem that needs reform, but we urge you to start by addressing the most pressing concerns in California where the payment discrepancies are the largest.

Thank you for your attention to this request and for your efforts to ensure proper reimbursement for America’s healthcare providers.

Sincerely,



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